

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00

DOTE-00 INR-07 NSAE-00 RSC-01 FAA-00 L-02 SS-15 NSC-05

H-01 /047 W

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FM AMCONSUL RIO DE JANEIRO

TO SECSTATE WASHDC PRIORITY 2097

INFO AMEMBASSY BRASILIA

AMEMBASSY MONTEVIDEO

AMCONSUL SAO PAULO

C O N F I D E N T I A L RIO DE JANEIRO 0419

EE.O. 11652: GDS

TAGS: EAIR BR

SUBJECT: PAN AM REQUEST FOR CHANGE OF GAUGE

REF: RIO 0139

1. EMBASSY BRASILIA CONCURS FOLLOWING MESSAGE.
DURING CONGEN OFFICER'S CALL ON BRIGADEIRO
CALDAS SANTOS OF CERNAI, LATTER TOOK OCCASION TO
RAISE REF SUBJECT. HE EMPHASIZED THAT HIS
COMMENTS WERE HIGHLY PRELIMINARY IN THAT HE HAD NOT
STUDIED PAN AM REQUEST THOROUGHLY.

2. CALDAS SANTOS MENTIONED TWO PREOCCUPATIONS.
FIRST, HE ASSERTED THAT PAN AM WAS, IN EFFECT,
PROPOSING TO BASE AN AIRPLANE IN BRAZIL IN ORDER
TO PROVIDE A SHUTTLE SERVICE BETWEEN GALEAO (RIO)
AND CONGONHAS (SAO PAULO). SUCH A SERVICE WOULD
BE CONTRARY TO GOB'S INTERPRETATION OF U.S. - BRAZIL
BILATERAL AGREEMENT. BRAZIL BELIEVES CHANGE OF GAUGE
AUTHORIZED BY BILATERAL MEANS INTRODUCTION OF EQUIPMENT
FOR SERVICE TO COUNTRIES BEYOND ONE IN WHICH CHANGE
OF GAUGE OCCURS. SECOND, CONGONHAS IS SO HIGHLY SATURATED
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THAT IT CANNOT ACCOMMODATE ADDITIONAL OPERATIONS. IN

FACT, BRAZILIAN CIVIL AVIATION AUTHORITIES (DAC) ARE SERIOUSLY CONSIDERING FORBIDDING ANY NEW FLIGHTS FOR CONGONHAS, WHETHER DOMESTIC OR INTERNATIONAL. AT PRESENT, ONLY REGIONAL INTERNATIONAL FLIGHTS ARE USING CONGONHAS. IF AUTHORIZATION WERE GIVEN TO PAN AM, EUROPEAN AIRLINES COULD BE EXPECTED TO SEEK SIMILAR PERMISSION.

3. CONGEN OFFICER RESPONDED BY NOTING THAT PAN AM SERVICE BETWEEN GALEAO AND CONGONHAS WOULD NOT BE SHUTTLE OPERATION. COMPANY WOULD FLY THIS SEGMENT ONLY FOUR TIMES WEEKLY, AND ONLY IN CONJUNCTION WITH ITS RIO/ NEW YORK FLIGHTS. IN ADDITION, PAN AM PLANS TO EXTEND GALEAO/CONGONHAS SERVICE SOUTHWARD TO MONTEVIDEO IN APRIL. CONGEN OFFICER NOTED ALSO THAT VARIG PERFORMS EXACTLY SAME TYPE OF SERVICE AS THAT PROPOSED BY PAN AM. VARIG FLIGHTS FROM BOTH US. EAST AND WEST COASTS ACTUALLY TERMINATE IN RIO, WHERE PASSENGERS ARE TRANSFERRED TO SMALLER AIRCRAFT FOR FLIGHT TO CONGONHAS. PASSENGERS DO NOT CLEAR CUSTOMS UNTIL DISEMBARKING AT LATTER AIRPORT. SIMILAR PROCEDURE UTILIZED FOR NORTHBOUND FLIGHTS. CONTINUATION OF THIS VARIG SERVICE AND DENIAL OF PAN AM REQUEST WOULD CONSTITUTE UNFAIR COMPETITIVE ADVANTAGE FOR VARIG. IF PAN AM REQUEST MUST BE DENIED, CONGEN OFFICER STATED, THE ONLY FAIR SOLUTION WOULD BE TO OBLIGE VARIG TO SHIFT ITS SERVICE FROM CONGONHAS TO VIRACOPOS.

4. CALDAS SANTOS CLAIMED TO BE UNAWARE THAT VARIG PROVIDED SERVICE DESCRIBED ABOVE. IF INITIAL PAN AM REQUEST SHOULD BE DENIED, HE RECOMMENDED THAT IT BE RESUBMITTED ON THE GROUNDS THAT COMPANY WAS NOT RECEIVING RECIPROCITY. GOB AUTHORITIES WOULD RECONSIDER PAN AM REQUEST ON THOSE GROUNDS. EVEN IF THIS RATIONALE SHOULD BE REJECTED, IT MIGHT WELL PRECIPITATE A DAC DECISION OBLIGING VARIG TO SHIFT ITS SERVICE TO VIRACOPOS. HE NOTED, HOWEVER, THAT NO GROUNDS FOR AN UNFAIR COMPETITION COMPLAINT WOULD EXIST SHOULD VARIG TERMINATE ITS LONG DISTANCE INTERNATIONAL FLIGHTS IN RIO, PROCESS ALL PASSENGERS THROUGH CUSTOMS AT GALEAO, AND THEN TRANSFER

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ONWARD PASSENGERS TO REGULAR DOMESTIC FLIGHTS TO CONGONHAS.

5. COMMENT: ALTHOUGH CALDAS SANTOS CLAIMED THAT HIS REMARKS WERE COMPLETELY PRELIMINARY AND IMPROMPTU, HE EVIDENTLY HAD GIVEN MATTER CONSIDERABLE THOUGHT. HIS REMARKS WERE PROBABLY MEANT TO PROVIDE ADVANCE NOTICE THAT A NEGATIVE DECISION WOULD LIKELY BE FORTHCOMING ON PAN AM REQUEST.

MILLER

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